

Message Text

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SUBJ: ECONOMIC AND INDUSTRIAL PROJECT AGREEMENTS
SIGNED BY VENEZUELA AND SPAIN.

1. THE RECENT VISIT OF SPAIN'S KING CARLOS WAS CAPPED OFF BY
THE SIGNING OF AGREEMENTS FOR FOUR INDUSTRIAL PROJECTS, AS
WELL AS A TECHNICAL COOPERATION AGREEMENT.

2. THE INDUSTRIAL PROJECTS CONSIST OF SPANISH PARTICIPATION
IN THE \$2BILLION RAILROAD PROJECT, IN CONSORTIUM WITH VENEZUELAN
AND CANADIAN PARTNERS, (REFTEL (1)) A MAJOR SHIPYARD TO BE
LOCATED ON THE PARAGUANA PENINSULA (REFTEL (2)), A PROJECT FOR
THE MANUFACTURE OF DIESEL ENGINES FOR BUSES AND TRUCKS IN WHICH
THE SPANISH FIRM ENASA WILL HAVE SUBSTANTIAL EQUITY, AND THE
CONSTRUCTION OF FIVE COLD STORAGE WAREHOUSES IN MAJOR VENEZUELAN
CITIES BY THE SPANISH FIRM RAMON VIZCAINO S.A., AT A COST OF
APPROXIMATELY \$26.5 MILLION.

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3. THE RAILROAD AND SHIPYARD PROJECTS WERE KNOWN BY THE EMBASSY
TO HAVE BEEN CLINCHED BY THE SPANISH BEFORE THE VISIT OF KING
CARLOS. THE ENASA (EPGASUS) DIESEL ENGINE AND TRUCK AND BUS
PROJECT IS SOMEWHAT OF A SURPRISE IN THAT CVG PREVIOUSLY
HAD CONCLUDED NEGOTIATIONS WITH THE U.S. MACK TRUCK CO., (IN
WHICH ENASA WAS ONE OF THE UNSUCCESSFUL CONTENDERS) FOR THE
MANUFACTURE OF DIESEL ENGINES FOR MACK TRUCKS WHICH ARE NOW

ASSEMBLED IN VENEZUELA. THE EMBASSY HAS NOT YET BEEN ABLE TO DETERMINE HOW THE ENASA PROJECT WILL BE ACCOMODATED WITHIN THE FRAMEWORK OF THE AGREEMENT WITH MACK, AND WITHIN THE TERMS OF VENEZUELA'S ALLOCATION UNDER THE RECENT ANDEAN PACT AGREEMENT FOR THE MANUFACTURE OF THE B-4 (OVER 17 METRIC TONS) TRUCKS. THE VENEZUELAN DEVELOPMENT CORPORATION (CVF) WILL BE THE CONTRACTING AGENCY FOR THE PURCHASE OF THE COLD STORAGE FACILITIES.

4. THE FIFTH ACCORD, DEALING WITH TECHNICAL COOPERATION, HIGHLIGHTS THE TRAINING OF VENEZUELAN INSTRUCTORS IN PROFESSIONAL AND TECHNICAL FIELDS RELATED TO AGRICULTURAL, INDUSTRIAL, AND SERVICES INDUSTRIES.

COMMENT: THE SPANISH/CANADIAN/VENEZUELAN CONSORTIUM WON THE RAILROAD PROJECT FAIR AND SQUARE. LIKEWISE, THE SPANISH HAVE BEEN, FROM THE OUTSET, STRONG CONTENDERS FOR AT LEAST ONE OF VENEZUELA'S PROJECTED SHIPYARD PROJECTS. VENEZUELA SEEMS ALMOST ABOUT TO OUTDO ITSELF IN ITS PLANS TO EXPAND ITS AUTOMOTIVE INDUSTRY SECTOR, AND IT IS SOMETIME SEEMS AS THOUGH THE GOV WILL SIGN A CONTRACT TO BUILD A MAJOR AUTOMOTIVE INDUSTRY PLANT WITH ANYONE WHO SEEMS INTERESTED. WITH REGARD TO THE COLD STORAGE WAREHOUSES, IT MAY BE FORTUITOUS THAT THE SPANISH ROYALTY'S VISIT COINCIDED WITH WIDESPREAD PUBLICITY OF A POTENTIALLY CRITICAL SHORTAGE OF AGRICULTURAL COMMODITY STORAGE CAPACITY IN VENEZUELA. THIS PROJECT WHICH ORDINARILY WOULD HAVE BEEN SUBJECT TO INTERNATIONAL BIDDING REQUIREMENTS SEEMS TO HAVE BEEN THE

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ONLY ITEM WHICH WAS GIVEN TO THE SPANISH AS A "PRESENT" FOR THE ROYALTY TO CARRY BACK TO SPAIN IN THIS PERIOD OF AFFECTIONATE VENEZUELAN/SPANISH REAPPROCHMENT.

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